



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
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OFFICE OF
ENFORCEMENT AND
COMPLIANCE ASSURANCE

FIRST CLASS MAIL

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Tesoro Petroleum Corporation
300 Concord Plaza Drive
San Antonio, TX 78216-6999

RE: United States v. BP Exploration & Oil Co. - Civil Action No: 2:96 CV 095 RL
Acid Gas Flaring Incident, on July 5, 2004, at the Mandan Refinery, Mandan,
North Dakota

Dear Sirs:

The United States Environmental Protection Agency (EPA) received the reports, dated August 4, 2004 and September 17, 2004, detailing the root cause failure analysis for the July 5, 2004 acid gas flaring incident that occurred at the Tesoro Petroleum Companies, Inc. (Tesoro) refinery located in Mandan, North Dakota. Based on the information submitted in the reports, EPA has determined that the incident resulted from a failure to operate and maintain equipment in a manner consistent with good engineering practice and that such incident is subject to the stipulated penalty provisions of Paragraph 47 of the above-referenced Consent Decree. Therefore, EPA has assessed \$150 (\$500 x 0.3 tons) for the July 5, 2004 flaring incident.

Tesoro reported that the July 5, 2004 flaring incident lasted for 26 minutes and resulted in the release of 0.3 tons of sulfur dioxide (SO₂) to the atmosphere. The sulfur recovery unit (SRU) shut down when the sour water stripper (SWS) gas feed knockout drum reached a very high liquid level. Tesoro stated that, as a result of the SRU shutdown, the acid gas feed was flared due to either a hydrocarbon layer being drawn into the SRU when the liquid level was above the high level or an increase of SWS gas flow when the liquid level dropped below the low level alarm point. The increased temperature that resulted in the incinerator triggered an automatic shutdown of the SRU. Tesoro asserts that the root cause of this flaring incident was due to the

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poor reliability of the faulty SWS knockout pot level switches and the level gage. Tesoro quickly restarted the SRU to minimize the flaring emissions.

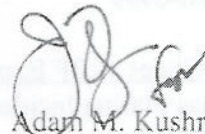
Tesoro identifies for corrective action the installation of new high and high-high level switches on the SWS knockout drum by October 1, 2004. IN addition, by November 1, 2004, it will have investigated improvements in level gage design and associated operational procedures.

Tesoro asserts that the root cause was not one of the specific causes detailed in Paragraph 22(C)(i)(a). EPA disagrees. EPA finds that the root cause was the failure of equipment due to a failure of Tesoro to operate and maintain that equipment in a manner consistent with good engineering practice.

According to our records, this is the seventh flaring incident at the Mandan refinery since the lodging of the Consent Decree, and the fourth in the last twelve months.

Should you have any questions or if you wish to discuss this matter, please contact Patric McCoy at (312) 886 6869 or Scott Whitmore at (303) 312-6317.

Sincerely,



Adam M. Kushner
Acting Director
Air Enforcement Division

cc (electronically): Alan R. Anderson, Mandan Refinery
Scott Whitmore, U.S. EPA, Region 8
Nathan Frank, U.S. EPA, Region 5
Patric McCoy, U. S. EPA, Region 5
Teresa Dykes, U.S. EPA, HQ
Jim Semerad, Division of Air Quality, NDDH
Norma Eichlin, MATRIX Env. and Geotech. Services